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THE PARLIAMENT OF THE COMMONWEALTH OF AUSTRALIA

HOUSE OF REPRESENTATIVES

**SOCIAL SECURITY AMENDMENT (APPRENTICESHIP WAGE TOP-UP FOR
AUSTRALIAN APPRENTICES) BILL 2007**

EXPLANATORY MEMORANDUM

(Circulated by authority of the Minister for Vocational and Further Education
the Honourable Andrew Robb AO MP)

SOCIAL SECURITY AMENDMENT (APPRENTICESHIP WAGE TOP-UP FOR AUSTRALIAN APPRENTICES) BILL 2007

OUTLINE

This Bill gives effect to a Government budget commitment to provide \$2,000 over 2 years to Australian Apprentices, under thirty, undertaking an Australian Apprenticeship in a trade occupation identified as experiencing national skills shortages.

The Apprenticeship Wage Top-Up for Australian Apprentices acknowledges that the first and second years of an apprenticeship can be particularly difficult, when wages are at their lowest. It also acknowledges how important these people are to our continued economic competitiveness, performance and growth.

Under the Apprenticeship Wage Top-Up payment Australian Apprentices under thirty who are undertaking an Australian Apprenticeship in a trade occupation identified as experiencing skills shortages and listed on the Migration Occupations in Demand List will be eligible to receive a \$500 payment at the 6, 12, 18 and 24 month points of their training. Full-time apprentices will receive \$1000 per year, \$2000 in total, while part-time and Australian School-based Apprentices will receive \$500 annually over a longer time frame totalling \$2000.

The Bill also exempts the value of the Commonwealth Apprenticeship Wage Top-Up payment from assessment as income under the *Social Security Act 1991*, *Veterans' Entitlements Act 1986* and the *Income Tax Assessment Act 1997*.

FINANCIAL IMPACT

The Apprenticeship Wage Top-Up payments are to be funded through annual appropriations and are estimated to cost \$342.5 million over four years.

It is not possible to estimate the financial impact of the income exemptions as this will be determined by the number of Australian Apprentices who qualify for the Apprenticeship Wage Top-Up payment.

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NOTES ON CLAUSES

Clause 1 - Short title

Provides for the Act to be cited as the *Social Security Amendment (Apprenticeship Wage Top-Up For Australian Apprentices) Act 2007*.

Clause 2 - Commencement

Subclause 2(1) inserts a three column table setting out commencement information for various provisions in the Act. Each provision of the Act specified in column 1 of the table commences (or is taken to have commenced) in accordance with column 2 of the table and any other statement in column 2 has effect according to its terms.

The table has the effect of providing for Schedule 1 to commence on 1 July 2007 and for sections 1-3 of the Act to commence on Royal Assent.

Subclause 2(2) provides that column 3 of the table is for additional information which may be added to or edited in any published version of the Act but that information in this column is not part of the Act.

Clause 3 - Schedule(s)

Provides that each Act that is specified in a Schedule is amended or repealed as set out in the applicable items in the Schedule and that any other item in a Schedule has effect according to its terms.

Schedule 1—Apprenticeship Wage Top-Up

Income Tax Assessment Act 1997

Item 1 Section 11-15 (table item headed “education”)

Amends the “education” entry in the table in section 11-15, to add the recipient of an Apprenticeship Wage Top-Up payment to the list of classes of exempt income to reflect the amendment made by item 2.

Item 2 Section 51-10 (at the end of the table)

Inserts a new item 2.4 in the table to section 51-10, which has the effect of adding Apprenticeship Wage Top-Up payments to the list of education and training amounts exempt from income tax.

Item 3 Application of amendments

Provides that the amendments made by items 1 and 2 apply to assessments for the 2007-08 income year and later income years.

Social Security Act 1991

Item 4 After paragraph 8(8)(t)

Inserts a new paragraph 8(8)(t) to exempt the amount of an Apprenticeship Wage Top-Up payment from the definition of *income* under the Act.

Veterans’ Entitlements Act 1986

Item 5 After paragraph 5H(8)(x)

Inserts a new paragraph 5H(8)(xaa) to exempt the amount of an Apprenticeship Wage Top-Up payment from the definition of *income* under the Act.